

OSA-4646-65  
#1738

REPLY TO:  
Audit Liaison Office  
P. O. Box 8155  
S. W. Station  
Washington, D. C.

7 December 1965

SUBJECT: Review of ECP #1987-16  
Airborne Instrument Laboratory  
Deer Park, New York

TO : Contracting Officer

1. A review was made, to the extent deemed necessary, of the contractor's cost proposal to provide for additional peripheral equipment for a CPC computer. The review consisted of an evaluation of the contractor's estimating procedures and examination of the data supporting the proposed quoting rates (labor, overhead and general and administrative expense), pricing of material costs and travel expense. The necessity of the estimated labor hours, the material requirements and the number of trips, are recommended for review by a technically qualified representative.

2. A summary of the contractor's proposal by element of cost, and the auditor's recommendations are as follows:

	<u>Per Contractor's Proposal</u>	<u>Auditor's Recommended Reductions</u>	<u>Ref Notes</u>
Direct Labor - Administrative	\$ 523	\$	(a)
- Engineering	8,557		(a)
Engineering Burden 104%	9,443	181	(b)
Raw Materials and Purchased Parts	296,145		(b)
Travel and Subsistence	6,486		(d)
Subtotal	<u>\$321,154</u>	<u>\$181</u>	
G & A 7.5%	24,087	335	(b)
Total Cost	<u>\$345,241</u>	<u>\$516</u>	
Fee Requested 7.5%	<u>25,893</u>		(e)
TOTAL PROPOSAL	<u>\$371,134</u>		

Ref. Notes:

a. Direct Labor:

The proposed hourly rates used to extend the estimated labor hours are acceptable for the purpose of this report, since they compare favorably with the average incurred hourly rates presently being experienced by the contractor on a similar effort.

b. Burden and G & A:

It is the opinion of the auditor that the proposed burden and G & A rates are excessive. A comparison with current year to date booked rates as well as contractor's budgets indicates a reduction in rates may be warranted. The contractor's computation and the auditor's recommendations are as follows:

		<u>Engineering Burden</u>	<u>G &amp; A</u>
	Per Contractor - Base	\$9,080	\$321,154
	Rate	104%	7.5%
	Burden	<u>\$9,443</u>	<u>\$ 24,087</u>
Fe	Per Auditor - Base	\$9,080	\$320,973
	Rate	102%	7.4%
	Burden	<u>\$9,226</u>	<u>\$23,752</u>
	<b>COSTS QUESTIONED</b>	<u>\$ 181</u>	<u>\$ 335</u>

c. Raw Materials and Purchased Parts

The contractor's estimated material costs were verified to purchase orders, vendors' quotes and catalogues. The pricing of these items are considered acceptable, but the need for these items are recommended for review by a technical representative.

d. Travel and Subsistence

The contractor estimated two (2) three (3)-day trips for the months of November and December 1965 to the West Coast for personnel to function as facility engineers (4 trips @ \$416 ea. = \$1,664). For the purpose of installing and testing the equipment, the contractor has estimated two (2) men full time during the months of January and February 1966 computed as follows:

Two round trips @ \$311	\$ 622
Subsistence for 120 days @ \$35	
per day	4,200
<b>TOTAL</b>	<u><u>\$4,822</u></u>

The basic costs for these trips are considered acceptable for the purpose of this report, but the number of trips as well as the length of stay is recommended for review by a technically qualified representative.

e. The contractor has requested a fee based on 7.5% of the estimated costs.

3. The results of this evaluation were discussed with the contractor's representative, who reserved comment at this time.

SIGNED

WILLIAM F. EDWARDS  
Auditor General Representative (APL)